



Department of Justice

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U.S. COMPANY AGREES TO PAY \$110 MILLION FINE FOR INTERNATIONAL CONSPIRACY

FINE IS LARGEST IN ANTITRUST HISTORY

UCAR International, Inc. (UCAR), the largest producer of graphite electrodes in the United States, was charged in Philadelphia today with participating in an international cartel to fix the price and allocate the volume of graphite electrodes sold in the United States and elsewhere. The company will enter a guilty plea and has agreed to pay \$110 million. The recommended fine is subject to court approval.

“UCAR International has agreed to pay the largest fine in antitrust history,” said Attorney General Janet Reno.

UCAR is charged with violating the Sherman Act by conspiring with unnamed co-conspirators to suppress and eliminate competition. According to the charges, UCAR and the other companies began to fix prices and allocate their market shares for graphite electrodes in the United States and elsewhere at least as early as July 1992, and continued until at least June 1997.

As a result, steel makers paid noncompetitive and higher prices for graphite electrodes used in manufacturing products that are integral to a variety of business and consumer items.

Graphite electrodes are large columns used in electric arc furnaces in steel-making “mini-mills” to generate the intense heat necessary to melt and further refine steel. Nine electrodes, joined in columns of three, are used in the typical electric arc furnace to melt scrap steel. Because of the intensity of the melting process, electrodes are continuously consumed.

Total sales of graphite electrodes in the United States are estimated at \$500 million for 1996 and more than \$1.75 billion during the term of the charged conspiracy.

UCAR is a Delaware corporation headquartered in Danbury, Connecticut. In the United States, UCAR manufactures graphite electrodes at its Clarksville, Tennessee location. Graphite electrodes are sold to customers throughout the United States and elsewhere.

“UCAR International has done the right thing in accepting responsibility for its illegal activity and agreeing to cooperate with the investigation. Its cooperation should provide a significant boost to our efforts to charge other cartel members,” said Joel I. Klein, Assistant Attorney General for Antitrust.

This is the second case resulting from the Justice Department’s ongoing criminal investigation into anticompetitive practices in the graphite electrode industry. Showa Denko Carbon, Inc., a United States subsidiary of a Japanese firm, earlier agreed to plead guilty to similar charges and pay a fine of \$29 million. The Carbide/Graphite Group, Pittsburgh, Pennsylvania, another producer of graphite electrodes, has previously announced that it has been accepted into the Antitrust Division’s Corporate Leniency Program. Carbide/Graphite, Showa Denko and, now, UCAR have all agreed to cooperate in the ongoing investigation.

The criminal case charges that UCAR and its co-conspirators:

- participated in meetings and conversations in the Far East, Europe, and the United States in which the prices and volume of graphite electrodes sold in the United States and elsewhere were discussed;
- agreed during those meetings to increase and maintain prices of graphite electrodes;
- agreed to eliminate discounts from the fixed price of graphite electrodes;

- agreed to allocate among the conspirator companies the approximate volume of graphite electrodes to be sold;
- agreed to divide the world market among themselves and to designate on a region-by-region basis, including the United States, the conspirator who would fix the price that the others would follow;
- agreed to restrict the conspirator companies' capacity for producing graphite electrodes;
- agreed to restrict non-conspirator companies' access to certain graphite electrode manufacturing technology;
- discussed methods to conceal the agreement, including the use of code names by the corporate conspirators;
- exchanged sales and customer information to monitor and enforce the agreement; and
- issued price announcements and price quotations in accordance with the agreements reached.

During the term of the charged conspiracy, customers of graphite electrodes experienced significant price increases which far out paced the rate of inflation.

“During the past six months, our efforts targeting international cartels have resulted in a dozen prosecutions and yielded fines totaling nearly \$230 million,” said Gary R. Spratling, the Antitrust Division’s Deputy Assistant Attorney General for Criminal Enforcement. “We will continue to go after any U.S. or foreign firms involved in cartel activity against American businesses and consumers.”

UCAR and SGL Carbon AG, Wiesbaden, Germany, are the two largest producers of graphite electrodes in the world, according to publicly filed documents. SGL Carbon

Corporation, Charlotte, North Carolina (a subsidiary of SGL Carbon AG), previously announced that a search warrant was executed at its offices on June 5, 1997.

Today's charge is the result of an investigation being conducted by the Antitrust Division's Philadelphia Field Office and the Federal Bureau of Investigation in Philadelphia.

UCAR is charged with violating the Sherman Act, which carries a maximum fine of \$10 million for corporations. The fine may be increased to twice the gain to the conspirators in the crime or twice the loss suffered by the victims of the crime, if either of those amounts is greater than the statutory maximum fine of \$10 million for corporations.

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